

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Strickland Analyst: Marion Mann DeJong Bill Number: AB 156

Related Bills: AB 9 Telephone: 845-6979 Amended Date: 03/22/1999

Attorney: Doug Bramhall Sponsor:

SUBJECT: Firearm Locking Device Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO no position.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 15, 1999, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would create a personal income tax (PIT) credit equal to the amount paid or incurred by an individual during the taxable year for the purchase of a qualified locking device for a firearm.

SUMMARY OF AMENDMENT

The March 22, 1999, amendments made the following changes:

- Provided the credit to individuals instead of taxpayers.
- Deleted the \$225 limit and instead limited individuals to three devices per year (each device would remain limited to \$75).
- Limited the credit to the personal, noncommercial use of gun locks purchased for use in this state.
- Restricted the credit to locks that are not required by local ordinance.
- Limited the unused credit carryforward to eight years.
- Added a repeal date.
- Added a requirement that the Franchise Tax Board (FTB) report to the Legislature annually on taxpayer utilization of the credit.

These amendments resolved the Policy, Implementation and Technical Considerations raised in the department's analysis of the bill as introduced on January 15, 1999.

The Effective Date, Legislative History and current law discussion of Specific Findings in the department's analysis of the bill as introduced still apply. The remainder of that analysis is replaced with the following.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input checked="" type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department/Legislative Director Date

Johnnie Lou Rosas **3/26/1999**

SPECIFIC FINDINGS

This bill would create a PIT credit equal to the amount paid or incurred by an individual during the taxable year for the purchase of a qualified locking device for a firearm. The maximum amount of credit would be \$75 for each device for up to three devices purchased by the individual during the taxable year.

"Qualified locking device" would mean a locking device that is all of the following:

- A locking device designed to prevent the firearm from functioning, which, when applied to the firearm, renders the firearm inoperable (Section 12035(a)(1) of the Penal Code).
- Used in this state exclusively for personal, noncommercial purposes. The temporary use of the qualified locking device outside of this state for purposes such as hunting would not disqualify a locking device.
- Not purchased pursuant to a local ordinance requiring the purchase of a locking device with the purchase of a firearm.

"Firearm" would mean any device designed to be used as a weapon, from which a projectile is expelled through a barrel by the force of any explosion or other form of combustion.

Any credit in excess of "net tax" could be carried forward for up to eight years. Since this bill does not specify otherwise, this credit would not reduce regular tax below tentative minimum tax.

Implementation Considerations

Implementation of this bill would occur during the department's annual system update.

LEGISLATIVELY MANDATED REPORTS

This bill would require FTB to report to the Legislature annually on taxpayer utilization of the credit.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

Based on data and assumptions discussed below, this bill would result in the following losses.

Estimated Revenue Impact of AB 156 As Amended 3/22/99 [\$ In Millions]		
1999-00	2000-01	2001-02
(\$8)	(\$8)	(\$8)

The bill would be effective with income years beginning on or after January 1, 1999, with enactment assumed after June 30. Estimates assume all credits generated in a given year would be applied to reduce tax liabilities. Losses would be under the PITL.

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

The March 22, 1999, amendments decreased the revenue estimate by \$1 million annually from the estimate in the analysis of the bill as introduced. The total impact of the bill as amended, is losses on the order of \$8 million annually.

Only the change that restricts the credit to locking devices not already required by local ordinances impacted the revenue. The other changes were consistent with the assumptions made for the prior revenue estimate.

It is not known how many California communities have local ordinances mandating the sale of a locking device with any firearm sale. Also not known is the share of total firearm sales attributable to these communities. In California, current legal sales of firearms range from 350,000 to 500,000 annually. In 1998, sales totaled about 350,000. It is assumed one-quarter of total statewide sales in the current year (about 88,000 firearms) would not be eligible for the credit due to local ordinances. If two-thirds of remaining sales (or 262,000 firearms) either come with or the buyer pays extra for a qualifying locking device, and an average cost per device of \$20, revenue losses attributed to current year acquisitions would be \$3.5 million annually. Unchanged from the prior analysis, the impact for firearms acquired in a previous year is an additional loss of \$4.6 million.

BOARD POSITION

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take an "oppose" position on this bill as introduced January 15, 1999.